

Message Text

CONFIDENTIAL

PAGE 01 STATE 134202
ORIGIN EB-08

INFO OCT-01 EUR-12 ISO-00 XMB-02 TRSE-00 H-01 AID-05
CEA-01 CIAE-00 COME-00 FRB-03 INR-10 NSAE-00
SP-02 STR-07 LAB-04 SIL-01 OMB-01 SSO-00 NSCE-00
INRE-00 SS-15 L-03 /076 R

DRAFTED BY EB/IFD:CFMEISSNER:SMCP
APPROVED BY EB:JLKATZ
XMB:WGLICK (DRAFT)
TREASURY:JLANGE (DRAFT)
EUR/RPE: PLAASE (DRAFT)

-----120540 260202Z /15

O 260057Z MAY 78
FM SECSTATE WASHDC
TO AMEMBASSY BRUSSELS IMMEDIATE

C O N F I D E N T I A L STATE 134202

FOR USEEC, FROM KATZ TO COOPER

E.O. 11652: GDS

TAGS: ETRD, XMB

SUBJECT: U.S. GOVERNMENT CONCERN OVER EXPORT CREDITS
PRACTICES

DELIVER PRIOR TO OPENING OF BUSINESS FRIDAY, MAY 26.

1. FOLLOWING IS REPORT OF BREAKFAST DISCUSSION BETWEEN
JOHN MOORE, HENRY WALLICH, FRED BERGSTEN, AND MYSELF ON
EXPORT CREDIT PRACTICES. REQUEST YOU RAISE ISSUE WITH EC
ON BASIS TALKING POINTS WHICH FOLLOW.

2. THERE WAS MAJOR CONCERN REGISTERED OVER THE GROWING
USEOFCONCESSIONARY FINANCING TERMS AND OTHER INDUCEMENTS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 134202

LINKED TO PURCHASE OF EXPORTS. OF SPECIAL CONCERN IN THE
DISCUSSION WERE THE PAN AM DEAL ON ROLLS ROYCE ENGINES THAT
IS BEING HEAVILY SUBSIDIZED BY THE BRITISH GOVERNMENT AND
THE EASTERN AIRLINES AIRBUS (A-300) PURCHASE FROM EUROPE.
ALSO NOTED WAS THE USE OF OTHER INDUCEMENTS BY THE EUROPEANS
IN THIRD COUNTRY MARKETS, ESPECIALLY THE FRENCH. THESE
INCLUDE MIXED CREDITS, HEAVILY SUBSIDIZED PRODUCTION, AND

IN AT LEAST ONE CASE THE OFFERING OF AIR ROUTES. IT WAS THE FEELING OF THE GROUP THAT THE SPIRIT OF THE ARRANGEMENT ON EXPORT CREDITS WAS BEING ERODED AND THAT SOMETHING HAD TO BE

DONE QUICKLY TO INFORM THE EUROPEANS OF OUR GROWING CONCERN.

3. EXIMBANK HAS BEEN PLACED UNDER CONTINUING AND HEAVY PRESSURE BY CONGRESS AND DOMESTIC INTERESTS TO MATCH THESE INDUCEMENTS AND SUBSIDIES. IN FACT, LEACH AMENDMENT TO PENDING EXIMBANK LEGISLATION PROMPTED BERGSTEN TO INITIATE DISCUSSIONS WITH DENMAN (EC) ON NEED TO IMPROVE ARRANGEMENT. AT THIS MORNING'S BOARD MEETING, THE DIRECTORS VOTED TO OFFER 15-YEAR TERMS ON THE ALGERIAN LNG TANKER PURCHASE. NOTIFICATION OF THIS DECISION WILL ARRIVE IN THE CAPITALS OF PARTICIPANTS IN ARRANGEMENT ON MAY 25 OR 26. THIS DECISION BY THE BOARD IS NOT IN CONTRAVENTION OF THE ARRANGEMENT SINCE THE USG TOOK A SPECIFIC RESERVATION AGAINST THE INCLUSION OF LNG TANKERS, AND WE ARE FOLLOWING THE 10-DAY NOTIFICATION CLAUSE AS SPECIFIED IN THE ARRANGEMENT.

4. IT WAS THE CONSENSUS AT BREAKFAST THAT THESE ISSUES SHOULD BE DISCUSSED ON A TECHNICAL LEVEL AT THE JUNE 1 AIRCRAFT MEETING AND THE JUNE 19 LNG TANKER MEETING. FURTHERMORE, THE BREAKFAST GROUP WAS PREPARED TO RECOMMEND CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 134202

THAT THE ISSUE BE CARRIED TO THE OECD MINISTERIAL AND LACKING PROGRESS THERE SHOULD BE CARRIED TO THE BONN SUMMIT.

5. SUGGESTED TALKING POINTS:

-- THERE IS GROWING CONCERN IN THE U.S. GOVERNMENT ABOUT THE INCREASING USE OF EXPORT FINANCING AS AN ELEMENT IN COMPETITION. THIS HAS BEEN PARTICULARLY EVIDENT IN AIRCRAFT TRANSACTIONS. THE MAJOR CASES BEING WITH THE PAN AM BUY OF ROLLS ROYCE ENGINES AND THE EASTERN AIRLINES AGREEMENT ON THE A-300 AIRBUS.

-- THE GROWING CONGRESSIONAL AWARENESS OF THESE ACTIONS HAS RESULTED IN THE LEACH AMENDMENT WHICH WOULD REQUIRE THE U.S. GOVERNMENT TO INITIATE NEGOTIATIONS AT THE MINISTERIAL LEVEL TO IMPROVE THE ARRANGEMENT AND HAS ALSO RESULTED IN PRESSURE TO TAKE SOME SORT OF COUNTERACTION, INCLUDING MATCHING TERMS IN EXPORT MARKETS AND MEASURES TO COUNTER UNFAIR COMPETITION IN OUR MARKET.

-- THE INCREASING RESORT TO GOVERNMENT SUBSIDIES TO

PROMOTE EXPORTS CANNOT SERVE ANYONE'S LONG-TERM INTEREST.
A COMPETITION AMONG TREASURIES IS NOT ONLY SELF-DEFEATING;
IT WILL SURELY FEED PROTECTIONIST FORCES.

-- THE EXIMBANK BOARD DECIDED MAY 25 TO OFFER U.S.
FINANCING TERMS OF 15 YEARS ON LNG TANKERS. NOTIFICATIONS
SENT MAY 25 TO ALL PARTICIPANTS PURSUANT TO THE ARRANGE-
MENT ON EXPORT CREDITS. ALTHOUGH EXIMBANK FELT 15-YEAR
TERMS WERE JUSTIFIED BY ECONOMICS AND SIZE OF TRANSACTION,
GROWING DOMESTIC PRESSURES AND CONTINUING USE OF SUBSIDIES
AND OTHER PREDATORY FINANCING PRACTICES BY SOME OTHER
PARTICIPANTS IN THE ARRANGEMENT WERE IMPORTANT CONSIDERA-
TIONS TO ALL INTERESTED USG AGENCIES.

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 134202

-- THE UNITED STATES GOVERNMENT IS PREPARED TO ADDRESS
THESE ISSUES IN DETAIL AT THE JUNE 1 EXPERTS MEETING ON
AIRCRAFT AND THE JUNE 19 EXPERTS MEETING ON LNG TANKERS
AND HOPES EC REPS WILL REFLECT SERIOUSLY ON IMPLICATIONS
OF A COMPETITION OF TREASURIES. WE VIEW THIS SITUATION
SO SERIOUSLY THAT WE ARE PREPARED TO RAISE IT ALSO AT THE
OECD MINISTERIAL MEETING, AND, IF IT CANNOT BE RESOLVED
THERE, WE WILL ASK THAT IT BE PURSUED AT THE JULY SUMMIT
IN BONN. CHRISTOPHER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, CREDIT, POLICIES
Control Number: n/a
Copy: SINGLE
Draft Date: 26 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE134202
Document Source: CORE
Document Unique ID: 00
Drafter: CFMEISSNER:SMCP
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780222-0080
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780513/aaaaakzj.tel
Line Count: 145
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 58ceb695-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2547802
Secure: OPEN
Status: NATIVE
Subject: U.S. GOVERNMENT CONCERN OVER EXPORT CREDITS PRACTICES DELIVER PRIOR TO OPENING OF BUSINESS FRIDAY, MAY 2
TAGS: ETRD, XT, US, EEC, XMB
To: BRUSSELS
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/58ceb695-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014